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PENNINGTON BIOMEDICAL RESEARCH FOUNDATION



PENNINGTON
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RESEARCH
FOUNDATION

2007 CONSOLIDATED FINANCIAL STATEMENTS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

11/7/07



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennington Biomedical Research Foundation
Baton Rouge, Louisiana

We have audited the accompanying consolidated statements of financial position of the Pennington Biomedical Research Foundation and its subsidiary as of June 30, 2007 and 2006, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Pennington Biomedical Research Foundation and its subsidiary as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated statements of financial position taken as a whole. The consolidating information included on pages 15 and 16 is presented for purposes of additional analysis of the consolidated financial statements and is not a required part of the basic financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Postlethwaite : Netterville

Baton Rouge, Louisiana
October 22, 2007

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 125,507	\$ 7,979
Accounts receivable	18,107	13,117
Unconditional promises to give, net	316,919	112,567
Prepaid expenses	27,661	15,000
Deferred tax asset	-	56,500
Office equipment (net of accumulated depreciation of \$633 and \$362 respectively)	724	995
Investments - unrestricted	2,363,934	1,167,047
Investments - temporarily restricted, permanently restricted, and funds held-in-custody	20,203,870	17,436,452
Investment in subsidiary	94,721	248,076
Annuity held by rabbi trust	788,772	798,303
Total assets	\$ 23,940,215	\$ 19,856,036
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 325,920	\$ 256,414
Payroll and sales taxes payable	-	247
Accrued expenses and other liabilities	25,968	14,940
Deferred revenues and deposits	27,910	121,137
Retirement obligation	788,772	798,303
Funds held-in-custody	6,543,370	5,574,161
Total liabilities	7,711,940	6,765,202
 <u>NET ASSETS</u>		
Unrestricted	1,700,585	1,315,751
Unrestricted - board designated	800,000	-
Temporarily restricted	6,263,134	4,911,062
Permanently restricted	7,464,556	6,864,021
Total net assets	16,228,275	13,090,834
 Total liabilities and net assets	 \$ 23,940,215	 \$ 19,856,036

The accompanying notes are an integral part of these statements.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUES</u>				
Donations	\$ 1,478,941	\$ 806,183	\$ 600,535	\$ 2,885,659
Investment income	438,580	1,624,363	-	2,062,943
Research program income	-	304,840	-	304,840
Management fee income	138,607	-	-	138,607
Income (loss) from subsidiary	(33,355)	-	-	(33,355)
Other	3,036	-	-	3,036
	<u>2,025,809</u>	<u>2,735,386</u>	<u>600,535</u>	<u>5,361,730</u>
Net assets released by satisfaction of program restrictions	<u>1,383,314</u>	<u>(1,383,314)</u>	<u>-</u>	<u>-</u>
	<u>3,409,123</u>	<u>1,352,072</u>	<u>600,535</u>	<u>5,361,730</u>
<u>EXPENSES</u>				
Program services	1,390,874	-	-	1,390,874
Management and general	389,016	-	-	389,016
Development	444,399	-	-	444,399
	<u>2,224,289</u>	<u>-</u>	<u>-</u>	<u>2,224,289</u>
<u>CHANGE IN NET ASSETS</u>	1,184,834	1,352,072	600,535	3,137,441
Net assets, beginning of period	<u>1,315,751</u>	<u>4,911,062</u>	<u>6,864,021</u>	<u>13,090,834</u>
<u>NET ASSETS, END OF PERIOD</u>	<u>\$ 2,500,585</u>	<u>\$ 6,263,134</u>	<u>\$ 7,464,556</u>	<u>\$ 16,228,275</u>

The accompanying notes are an integral part of these statements.

2006

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 579,272	\$ 818,456	\$ 1,465	\$ 1,399,193
120,322	843,397	-	963,719
-	50,279	-	50,279
134,260	-	-	134,260
247,741	-	-	247,741
2,351	-	-	2,351
1,083,946	1,712,132	1,465	2,797,543
1,261,596	(1,261,596)	-	-
2,345,542	450,536	1,465	2,797,543
1,291,538	-	-	1,291,538
179,788	-	-	179,788
379,445	-	-	379,445
1,850,771	-	-	1,850,771
494,771	450,536	1,465	946,772
820,980	4,460,526	6,862,556	12,144,062
\$ 1,315,751	\$ 4,911,062	\$ 6,864,021	\$ 13,090,834

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			
	Program Services	Management and General Expenses	Development	Total
Bank charges	\$ 282	\$ 5,987	\$ -	\$ 6,269
Business development	8,892	7,759	118,320	134,971
Contributions/donations	200,000	-	-	200,000
Depreciation	-	271	-	271
Dues and subscriptions	3,741	8,461	4,251	16,453
Income tax expense	-	56,500	-	56,500
Insurance	-	11,302	-	11,302
Investment expense	175,824	4,721	-	180,545
Lobbying/governmental relations	-	57,090	-	57,090
Meetings and symposiums	238,105	2,962	305	241,372
Miscellaneous	3,173	7,001	888	11,062
Payroll taxes and benefits	95,487	22,627	30,999	149,113
Postage	-	4,971	335	5,306
Printing	-	2,915	255	3,170
Professional fees	52,491	23,268	2,750	78,509
Repairs and maintenance	8,512	9,944	4,634	23,090
Research supplies and equipment	182,770	-	-	182,770
Salaries	399,924	151,640	267,642	819,206
Sponsorships	-	-	-	-
Supplies	343	8,007	1,377	9,727
Telephone	-	1,117	2,088	3,205
Training	-	1,544	2,649	4,193
Travel	21,330	929	7,906	30,165
	<u>\$ 1,390,874</u>	<u>\$ 389,016</u>	<u>\$ 444,399</u>	<u>\$ 2,224,289</u>

The accompanying notes are an integral part of these statements.

2006

Program Services	Management and General Expenses	Development	Total
\$ 210	\$ 5,160	\$ -	\$ 5,370
7,107	4,040	88,687	99,834
227,000	-	-	227,000
-	272	-	272
4,497	7,946	3,411	15,854
-	(56,500)	-	(56,500)
-	5,839	-	5,839
179,550	4,019	-	183,569
2,175	18,175	-	20,350
102,717	1,718	952	105,387
3,043	5,507	39	8,589
59,266	17,041	27,688	103,995
303	5,604	4,786	10,693
4,682	4,062	9,518	18,262
82,989	19,674	1,053	103,716
35,619	4,826	3,334	43,779
52,903	-	-	52,903
423,688	126,663	213,823	764,174
500	-	8,330	8,830
56,238	3,616	1,122	60,976
105	1,410	941	2,456
1,467	-	9,921	11,388
47,479	716	5,840	54,035
<u>\$ 1,291,538</u>	<u>\$ 179,788</u>	<u>\$ 379,445</u>	<u>\$ 1,850,771</u>

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 3,137,441	\$ 946,772
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Gain) Loss from investment in subsidiary	33,355	(247,741)
Depreciation	271	272
Realized gains on sales of investment securities	(747,213)	(1,701,345)
Unrealized loss (gain) on investment securities	(846,814)	1,210,715
Permanently restricted contributions	(600,535)	(1,465)
Changes in operating assets and liabilities:		
Accounts receivable	(4,990)	4,074
Unconditional promises to give	(204,352)	(109,543)
Prepaid expenses	(12,661)	(2,090)
Deferred tax asset	56,500	(56,500)
Payroll and sales taxes payable	(247)	(780)
Accounts payable	68,784	(130,690)
Accrued expenses and other liabilities	11,750	(2,497)
Deferred revenues and deposits	(93,227)	62,507
Net cash provided by (used in) operating activities	<u>798,062</u>	<u>(28,311)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from member distribution	120,000	-
Proceeds from sales of investments	8,540,824	12,587,186
Purchases of investments	(10,911,102)	(13,253,544)
Net cash used in investing activities	<u>(2,250,278)</u>	<u>(666,358)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Permanently restricted contributions	600,535	1,465
Change in funds held-in-custody	969,209	691,041
Net cash provided by financing activities	<u>1,569,744</u>	<u>692,506</u>
Net increase (decrease) in cash and cash equivalents	117,528	(2,163)
Cash and cash equivalents at beginning of period	<u>7,979</u>	<u>10,142</u>
Cash and cash equivalents at end of period	<u>\$ 125,507</u>	<u>\$ 7,979</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

The Pennington Biomedical Research Foundation (the Foundation) is a non-profit corporation which was organized to provide financial support for the Pennington Biomedical Research Center (the Center), a division of the Louisiana State University System (the University) operating in Baton Rouge, Louisiana. The major programs of the Center include nutrition research related to obesity, diabetes, cancer, heart disease, food science, behavior, and various educational programs.

During the year ended December 31, 1996, Pennington Discoveries, Inc. (PDI) was organized as a separate for-profit organization to commercialize and further develop technologies and other intellectual property originating from the Pennington Biomedical Research Center. In 2002, PDI entered into a partnership with NMCT USA, Inc. to form Pennington Management of Clinical Trials, LLC (PMCT). PDI is a 20% owner of PMCT.

Consolidation

The Foundation's consolidated financial statements include the accounts of Pennington Discoveries, Inc. a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

Pennington Discoveries, Inc. is a for-profit organization and is required to pay income taxes as determined by the Internal Revenue Code. As of June 30, 2007, Pennington Discoveries, Inc. had a net operating loss carry forward; therefore, there was no income tax payable recorded in the accompanying consolidated financial statements.

At June 30, 2007, the Foundation's subsidiary, Pennington Discoveries had a net operating loss (NOL) carry-forward of approximately \$180,000 expiring in the years 2016 – 2025 from its operations. As of June 30, 2007 and 2006, a deferred tax asset of \$53,779 and \$56,500, respectively has been established relating to the NOL. The deferred tax asset has been reduced by a valuation allowance of \$53,779 at June 30, 2007. Deferred tax assets are subject to a valuation allowance if their realization is less than fifty percent probable.

Reclassifications

Certain amounts on the June 30, 2007 financial statements have been reclassified to conform with the June 30, 2007 financial statement presentation.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Deferred Revenues and Deposits

Deferred revenues and deposits include sponsorship revenues for various fundraising events, such as Soaring to New Heights, which have been received in advance of the events.

Investments

Investments consist of United States Government Agency obligations, mortgage and asset-backed securities, equities, money market funds, hedge funds, REITs and cash maintained in trust accounts. Investments owned by the Foundation with readily determinable fair values are stated at fair value based on quoted market prices and other observable market data. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund managers.

Realized gains and losses on dispositions are based on the net proceeds and the amortized cost of the securities sold, using the specific identification method, and are classified as temporarily restricted or unrestricted based on donor intent. These realized gains and losses flow through the Foundation's yearly activities. Investments received as gifts are initially recorded at fair value at the date of donation.

Cash Flow Statements

For purposes of the cash flow statements, cash and cash equivalents includes operating funds on deposit at various financial institutions.

Office Equipment

Property and equipment are stated at historical cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using accelerated methods over the estimated useful lives.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenue in the period the promise is received. Promises to give are recorded at their realizable value if they are expected to be collected in one year or at fair value if they are expected to be collected in more than one year.

Statements of Functional Expenses

The costs of providing for the various programs and other activities of the Foundation have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting benefits based on management's estimates.

Concentrations of Credit Risk

The Foundation's investments are secured by SIPC (Securities Investor Protection Corporation) for up to \$60 million through insurance purchased by the investment company. However, the \$60 million of protection does not insure the quality of investments or protect against losses from fluctuating market values.

2. Retirement Contributions and Expense

The Foundation makes an annual contribution to the 403(b) retirement plan for eligible employees. The amount of the contribution is equal to 100% of an eligible employees' contribution up to 5% of annual compensation. Eligibility requirements are attainment of age 21 and full-time employment for one year. Contributions for the years ended June 30, 2007 and 2006, totaled approximately \$13,000 and \$14,000, respectively.

3. Investments

The investments of the Endowed Professorship Programs and the Endowed Chairs for Eminent Scholars Program are maintained and managed in brokerage accounts in compliance with the Board of Regent's investment policy.

Investments at fair value at June 30, 2007 and 2006 were comprised of the following:

	<u>2007</u>	<u>2006</u>
U.S. Government obligations	\$ 2,404,045	\$ 2,653,986
Corporate stocks	7,130,147	5,392,137
Corporate bonds	2,468,326	1,722,559
Fixed income securities	2,224,771	2,055,876
Hedge fund of funds	3,649,872	3,122,560
Real estate investment trust	1,443,474	1,315,940
Money market funds	2,240,691	2,340,441
Asset backed securities	295,551	-
International fixed income securities	710,927	-
	<u>\$ 22,567,804</u>	<u>\$ 18,603,499</u>

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investments (continued)

Investment earnings were comprised of the following for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest income	\$ 46,596	\$ 84,757
Dividends	422,320	388,332
Realized gains on sales of investments	747,213	1,701,345
Unrealized (loss) gains on investments	846,814	(1,210,715)
	<u>\$ 2,062,943</u>	<u>\$ 963,719</u>

4. Endowment Enhancement

In order to comply with Act Numbers 909 and 910 of the 1992 Louisiana Legislative Session regarding depositories for University Endowment Trust Funds, a portion of the endowment income is added to the endowment principal. The enhancement is calculated as the lesser of 5% of the market value of program assets or 65% of endowment earnings, which is calculated annually. Funds available for expenditure that were not spent in the current year may be carried forward to subsequent years with the approval of the Board of Regents, provided that the Foundation has documented the reason that the funds were not expended in the year allocated and has developed a plan showing the proposed uses of the funds in future years. As of June 30, 2007 and 2006, the Foundation had no funds to carryforward to subsequent years.

5. Funds Held in Custody and Permanently Restricted Net Assets

Included in investments at June 30, 2007 and 2006, were funds held in custody at local banks, which represent funds contributed to the Foundation by private donors and matching funds received from the State of Louisiana. The Endowed Chairs for Eminent Scholars Program requires a \$600,000 private donation and a matching \$400,000 gift from the State of Louisiana, making a total endowment of \$1,000,000 per program. The Eminent Scholars Program requires a \$60,000 private donation and a \$40,000 matching gift from the State of Louisiana, making a total endowment of \$100,000. Total funds held in escrow were as follows:

	<u>2007</u>	<u>2006</u>
Private donations (permanently restricted)	\$ 7,464,556	\$ 6,864,021
State Matching Funds	6,498,335	5,486,656
Other	45,035	87,505
	<u>\$ 14,007,926</u>	<u>\$ 12,438,182</u>

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Unrestricted Net Assets-Board Designated

The Board of Directors of the Foundation designated \$800,000 of its unrestricted fund balance as of June 30, 2007 for use of future PBRC projects. These funds will remain within the Foundation and will be distributed to the Center at various times in the near future.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2007 and 2006 were available for specific nutritional research programs and other nutritional research programs being conducted at the Pennington Biomedical Research Center.

	<u>2007</u>	<u>2006</u>
Research Development	\$ 6,098,533	\$ 4,769,762
Grant Programs	17,457	51,717
Executive Development	147,144	89,583
Total Temporarily Restricted Net Assets	<u>\$ 6,263,134</u>	<u>\$ 4,911,062</u>

8. Net Assets Released From Restrictions

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes for the year ended June 30, 2007 and 2006, were as follows:

	<u>2007</u>	<u>2006</u>
Research Development	\$ 1,154,932	\$ 973,692
Grant Programs	35,943	92,845
Executive Development	192,439	195,059
Total Restrictions Released	<u>\$ 1,383,314</u>	<u>\$ 1,261,596</u>

9. Investment in Joint Venture and Note Payable

Effective April 5, 2002, Pennington Discoveries, Inc. (PDI) became a member of Pennington Management of Clinical Trials, L.L.C. (Joint Venture). This limited liability company was formed for the purpose of conducting, managing and administering clinical trials in nutrition studies, studies pertaining to weight characteristics, and studies in the field of obesity and its associated diseases. PDI has a 20% interest in the Joint Venture and the other partner has an 80% interest. PDI and the Foundation are not obligated to fund any losses that exceed its cash contributions to the Joint Venture. For the years ended June 30, 2007 a net loss was generated by the Joint Venture and 2006 net income was generated by the Joint Venture; therefore, the 20% of net (loss) income was recorded in the accompanying consolidated financial statements.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Investment in Joint Venture and Note Payable (continued)

Pertinent financial information for the Joint Venture as of June 30, 2007 and 2006 is as follows (unaudited):

<u>Balance sheet</u>	<u>2007</u>	<u>2006</u>
<u>Assets:</u>		
Cash	\$ 194,194	\$ 162,403
Accounts receivable, net	1,068,264	1,149,160
Costs and estimated earnings in excess of billings	-	998,637
Other current assets	29,441	8,279
Property and equipment, net	52,838	61,218
Total assets	<u>\$ 1,344,737</u>	<u>\$ 2,379,697</u>
<u>Liabilities and members' equity:</u>		
Accounts payable and other liabilities	\$ 776,384	\$ 1,139,319
Billings in excess of costs and estimated earnings on uncompleted contracts	94,748	-
Members' capital	473,605	1,240,378
Total liabilities and members' capital	<u>\$ 1,344,737</u>	<u>\$ 2,379,697</u>
<u>Income statement</u>		
Contract revenue and other income	\$ 2,639,992	\$ 2,988,289
Cost of revenues	(1,309,393)	(915,279)
Costs and expenses	(1,497,168)	(572,865)
Net income (loss)	<u>(\$ 166,569)</u>	<u>\$ 1,500,145</u>

10. Commitments

The Foundation purchased an annuity to fund the retirement obligation of the former director of the Center. The annuity's value and corresponding retirement obligation was approximately \$789,000 at June 30, 2007 and \$798,000 at June 30, 2006.

The Foundation is seeking to contribute approximately \$10 million in operating support to the Pennington Biomedical Research Center over the next four years, as part of the Center's Vision 2010 strategic plan.

11. Related Party Transactions

The Pennington Biomedical Research Foundation provides accounting services and administrative support to Pennington Medical Foundation for a monthly fee of \$4,400. Prior to July 2006, the monthly fee was \$3,987, and prior to January 2006, the monthly fee was \$3,833. The Pennington Medical Foundation provides office space and occupancy costs to the Research Foundation for its use at no explicit charge. Both parties consider the value received to be commensurate with the values provided by each.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Unconditional Promises to Give

Unconditional promises to give at June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Promises to give expected to be collected in:		
Less than one year	\$ 266,003	\$ 32,567
One to five years	50,000	50,000
More than five years	<u>30,000</u>	<u>30,000</u>
	346,003	112,567
Less discount on promises to give	<u>(29,084)</u>	<u>(-)</u>
Net unconditional promises to give	<u>\$ 316,919</u>	<u>\$ 112,567</u>

The discount rate used in discounting unconditional promises to give was 5.00% as of June 30, 2007.

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

	Pennington Biomedical Research Foundation	Pennington Discoveries, Inc.	Eliminations	Consolidated
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,485	\$ 121,022	\$ -	\$ 125,507
Accounts receivable	410,507	-	(392,400)	18,107
Unconditional promises to give, net	316,919	-	-	316,919
Prepaid expenses	27,661	-	-	27,661
Office equipment (net of accumulated depreciaion of \$633)	724	-	-	724
Investments - unrestricted	2,363,934	-	-	2,363,934
Investments - temporarily restricted, permanently restricted, and funds held-in-custody	20,203,870	-	-	20,203,870
Investment in subsidiary	(176,657)	94,721	176,657	94,721
Annuity held by rabbi trust	788,772	-	-	788,772
Total assets	\$ 23,940,215	\$ 215,743	\$ (215,743)	\$ 23,940,215

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>				
Accounts payable	\$ 325,920	\$ 392,400	\$ (392,400)	\$ 325,920
Accrued expenses and other liabilities	25,968	-	-	25,968
Deferred revenues and deposits	27,910	-	-	27,910
Retirement obligation	788,772	-	-	788,772
Funds held-in-custody	6,543,370	-	-	6,543,370
Total liabilities	7,711,940	392,400	(392,400)	7,711,940
<u>NET ASSETS</u>				
Unrestricted	1,700,585	(176,657)	176,657	1,700,585
Unrestricted - board designated	800,000	-	-	800,000
Temporarily restricted	6,263,134	-	-	6,263,134
Permanently restricted	7,464,556	-	-	7,464,556
Total net assets	16,228,275	(176,657)	176,657	16,228,275
Total liabilities and net assets	\$ 23,940,215	\$ 215,743	\$ (215,743)	\$ 23,940,215

PENNINGTON BIOMEDICAL RESEARCH FOUNDATION
BATON ROUGE, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Pennington Biomedical Research Foundation	Pennington Discoveries, Inc.	Eliminations	Consolidated
<u>SUPPORT AND REVENUES</u>				
Donations	\$ 2,885,659	\$ -	\$ -	\$ 2,885,659
Investment income	2,062,943	-	-	2,062,943
Research program income	304,840	-	-	304,840
Management fee income	138,607	-	-	138,607
Income (loss) from subsidiary	(92,510)	(33,355)	92,510	(33,355)
Other	3,036	-	-	3,036
	<u>5,302,575</u>	<u>(33,355)</u>	<u>92,510</u>	<u>5,361,730</u>
<u>EXPENSES</u>				
Program services	1,390,874	-	-	1,390,874
Management and general	329,861	59,155	-	389,016
Development	444,399	-	-	444,399
	<u>2,165,134</u>	<u>59,155</u>	<u>-</u>	<u>2,224,289</u>
<u>CHANGE IN NET ASSETS</u>	3,137,441	(92,510)	92,510	3,137,441
Net assets, beginning of period	<u>13,090,834</u>	<u>(84,147)</u>	<u>84,147</u>	<u>13,090,834</u>
<u>NET ASSETS, END OF PERIOD</u>	<u>\$ 16,228,275</u>	<u>\$ (176,657)</u>	<u>\$ 176,657</u>	<u>\$ 16,228,275</u>